

Comprehensive Absence Management

Integrating Data, Design and Delivery with a 360° Approach

Introduction

Many organizations are feeling the sting of excessive absences—concerns about compliance, rising benefit plan costs, the impact of poor health and its links to diminished productivity and issues with employee engagement. This pain is compounded by the high cost of absence—estimated at more than 8 percent of payroll at most large employers. A clear business case has emerged for the urgent need to deal more holistically with the issue of employee absence and its effect on the bottom line. Yet most employers have not addressed absence head-on or engaged employees in an absence-specific dialogue.

Part of the difficulty in successfully managing absence is in understanding its root causes and associated connectivity points to multiple silos: time-off plans, as well as leaves related to the Family and Medical Leave Act (FMLA), disability, workers' compensation and the Americans with Disabilities Act Amendments Act (ADAAA). A thorough and complete approach to absence management addresses the following employer concerns:

- What absenteeism is costing us—including the cost of hiring replacement workers?
- How many days are we losing due to absence? What is the reason—illness, disability, family leave, disengagement?
- Is this level of absenteeism high/low/average for our industry?
- What are we doing to reduce absences and return productive employees to work as quickly as they're able?
- Are we in compliance and how do we ensure that we remain in compliance?
- How are we returning employees to transitional work to ensure productivity and compliance with regulations and statutes?
- What are we doing to help employees who have chronic conditions manage their health and protect their income?
- Which employees are at risk of increased absenteeism among our workforce?
- How are we choosing and evaluating vendors of absence/disability management services?
- Why do we continually have issues associated with payroll and interfaces between vendors?
- How are we monitoring the success of our absence management initiatives?
- What are we doing to encourage employees to become more engaged in reducing their absenteeism, as much as they are now more engaged in managing their retirement and health benefits?

The fact that most organizations tend to address absenteeism in a piecemeal fashion, with siloed efforts in place to deal with disability, wellness, workers' compensation and return-to-work initiatives, inhibits the effectiveness of the programs, given their lack of strategic alignment. Some employers are not actually aware of how great a lost productivity problem they have, let alone whether any of their programs are successful, yet they continue to evolve and invest in a variety of individual initiatives. Others have no idea that absence is an issue at their workplace and choose largely to ignore the problem, simply due to this lack of knowledge.

Even if an organization has identified possible causes of its absence issues, it may lack the knowledge to design effective solutions and/or the resources to implement targeted actions.

At Aon Hewitt, we believe a holistic approach to absence management can address potential compliance issues and achieve positive cost management results, along with promoting effective wellness and return-to-work strategies, thus creating a healthy and productive workforce.

In this report, we highlight the risks of lost employee productivity and identify the benefits of an integrated absence management approach that unifies analytics, advisory services and administration. Certain Aon Hewitt absence management experts discuss this approach, and how it can be utilized to produce successful results.

The Impact of Workplace Absence

Risks of Poor Absence Management

The risks associated with lost employee productivity are significant and serious.

- **Compliance concerns:** Staying on top of legislative developments and requirements related to absence management, as well as collective bargaining agreement terms, can be a full-time job. Ensuring that policies and administrative tools reflect the current regulatory status and that those responding to employee inquiries do so accurately are also important in order to avoid Department of Labor violations, lawsuits and union grievances. When asked to name the most important aspect of a successful absence management program, the majority of respondents to Aon Hewitt's 2011 *The Mechanics of Absence Management* survey answered, "robust compliance subject matter expertise and guidance."¹
- **Rising health benefit plan costs:** Without encouragement and direction, employees may not do all they can to prevent the onset of certain medical conditions, treat them effectively or manage the cost of treatment. Eight behaviors create the top 15 health conditions that drive 80% of employers' medical and absence spend, according to a 2010 World Economic Forum study.
- **Reduced worker productivity:** Physical or mental illness will almost always hamper employee productivity, as will the stress of caring for a family member, financial worries and not knowing where to get the most effective treatment or family member support.
- **Poorer employee health and engagement:** Aon Hewitt research—part of the *Best Employers in Canada* study—has found a direct link between high engagement and employee health and well-being.² These findings suggest that if employees are not in good health, their engagement and, as a result, the financial health of the organization will be adversely affected. Sixty-one percent of U.S. employers plan to integrate health and absence programs in the next three years, according to Aon Hewitt's *2011 Health Care Survey*.³

¹ Aon Hewitt, "The Mechanics of Absence Management," 2011 survey report

² Neil Crawford, "Engage Your Way to Wellness," *Benefits Canada* Jan. 2012: <http://www.benefitscanada.com/benefits/health-wellness/engage-your-way-to-wellness-24946>

³ Aon Hewitt, "2011 Health Care Survey," 2011 survey report

Comprehensive Absence Management

Good absence management goes beyond simply tracking employees' days off work. An effective program aims to prevent certain absences, address absence appropriately when it does arise and help employees return to productive work safely; all while managing the financial and other aspects of absenteeism.

While all employers have these goals for their lost-time benefit programs, the approach varies by organization—or it should. Ideally, rather than a “one size fits all” plan, each employer’s benefit designs and time-off policies need to be targeted to its own root cause absenteeism issues and reviewed periodically to ensure that the plan designs, policies and administration are addressing identified problems successfully.

Unfortunately, many organizations do not track employee absences effectively or efficiently. That means they don’t know whether they have a problem with absenteeism or, if they do, how great that problem is, what is causing it—and most importantly—the cost of absent workers to the company’s bottom line.

In addition, those companies that do track absence may not do so comprehensively. They may track short-term disability (STD), but be less diligent when it comes to FMLA-related absences, for example. There are, of course, other employee absences that have nothing to do with physical illness—those due to low engagement, stress and family commitments, for example. It’s imperative for employers to identify if they have problems with respect to these types of absences as well.

The range of possible leaves for a single employer can be many and requires a sophisticated tracking methodology and system in order to pinpoint problems and tailor absence management programs. Many employers use internally developed solutions—sometimes with different versions across the company’s locations. These factors may make it difficult to aggregate data across the organization to gain a complete understanding of the full cost of absenteeism. At the same time, they also jeopardize corporate compliance through inconsistent application of programs and lack of auditable data.

Current Solutions

Aon Hewitt’s *The Mechanics of Absence Management* survey indicates that 41% of respondents outsourced administration of leaves of absence in 2010, up from 30% in 2008.⁴ Of those that have outsourced this responsibility, many stated they believe doing so has resulted in better compliance with laws and regulations (80%), more consistent administration (79%) and more timely distribution of required notifications (80%). At a time of major change to the U.S. health care system, managing absence and compliance is likely to become even more complex—and take more employer time. This may result in an even greater shift to outsourced absence administration.

More than three-quarters (79%) of respondents to this survey had fully or partially integrated leave administration with nonoccupational disability programs (salary continuation, STD, LTD). Over half (52%) of respondents strongly agreed that integration improves compliance. Nevertheless, only 18% had integrated their leave administration with occupational disability/workers’ compensation programs.

Even those employers that outsource leave administration struggle to get a handle on the cost of absenteeism. Only 39% of survey respondents stated that they understand the total cost of absence for their organization.

⁴ Aon Hewitt, “*The Mechanics of Absence Management*,” 2011 survey report

Managing Absence Effectively

Integration Is Key

An integrated approach to absence management encompasses risk analysis, design and associated solutions to manage lost time and compliance risks, affordable and competitive plans and policies, along with coordination of benefits and administration alignment. Each step of this approach builds on the preceding one, shaping and refining an organization's absence management strategy. The result is a targeted strategy based on solid data that pinpoints and addresses problem areas, while providing a positive and supportive employee experience and ensuring legal compliance.

"It's very important to take a comprehensive approach to absence management," according to Cindy Keaveney, an executive vice president with Aon Hewitt responsible for absence and productivity management. "Even the best plan design won't achieve desired results if it's not based on reliable data or administered effectively."

Keaveney recommends that employers adopt a holistic perspective: "Every type of absence can affect an organization's bottom line and increase risk exposure." Programs to address time off, nonoccupational disability, occupational disability/workers' compensation, FMLA leaves of absence, wellness and employee engagement "should be integrated and reinforce each other," says Keaveney.

Analytics Provide Data-Based Solutions

The starting point for developing an effective absence management strategy is data. Analytics help determine if there is a problem, identify where issues are most acute and quantify the cost of absence.

In terms of financial cost alone, undermanaged absence often amounts to more than 8% of payroll. But additional factors can drive these costs even higher: performance and causality, regulatory compliance, financial and legal risk, administrative burden, employee engagement, and health management and work performance.

Gaining a true understanding of an organization's absence dynamics is the first critical step in transforming them. Risk analysis provides a total picture of the company's absence issues and costs. Armed with the relevant data and analysis, the organization is not only able to identify opportunities for change, but also build a business case for developing and implementing solutions by demonstrating reduced absence impact through better design and administration solutions.

Strategies to Impact Productivity and Health

Analytics-driven solutions address the specific absence issues an organization is facing and create a roadmap for attaining corporate objectives, while fully supporting employee needs and coverages.

The customized solution developed for a company may include recommending policy changes, incorporating supportive pre-absence programs like wellness or safety and/or aligning administrative solutions with existing human resources systems and vendors.

Delivery Solutions

Even the most strategic absence management solution will be less successful if it isn't implemented and administered effectively.

Successful administration involves not only dedication to business results, but also to satisfying employees. By integrating absence management solutions with employee health and welfare as well as payroll, delivery goes beyond administration to enhance the overall employee experience and increase the effectiveness and synergies of these programs.

Aon Hewitt's employee-friendly solution includes doctors, nurses, social workers, counselors, case managers and advocates. These experts join together on client-specific teams to provide stronger clinical case management, wellness promotion, faster return-to-work and protection against compliance infractions.

In summary, total benefits administration strengthens policies and fairness, lowers risk, improves employee engagement and frees up internal resources.

Aon Hewitt's 360° Absence Solutions

Aon Hewitt's 360° Absence Solutions takes a full-spectrum approach to transform absence through a comprehensive process. It starts with fully understanding the organization's absence dynamics, then uses those insights to design and deliver solutions that strategically improve business results, enhance the employee experience and integrate with other organizational initiatives.

Benefits of Aon Hewitt's 360° Absence Solutions

Aon Hewitt's approach includes a clinical review of all disability claims. The cross-functional team includes disability and leave case managers, physicians, clinicians, vocational specialists and IT/analytics managers. They are ably supported by high-touch, advocacy-focused customer service representatives and case workers, as well as dedicated legal staff working with each client service team to actively monitor legislative changes and consult on compliance risk. In addition, as a leader in HR outsourcing, Aon Hewitt provides the full value of administration integration to both employers and their employees.

As a result, Aon Hewitt's 360° Absence Solutions enables employers to achieve the following results:

■ Risk management

- **Compliance:** Aon Hewitt's businesses are supported by more than 25 research and legal consultants who work together to track human resource compliance issues through legislative developments, technical advances and new business trends. "Our legal team is involved in all stages of our absence management solution to help create processes that are current, effective and configured to our clients' specific needs," states Aon Hewitt's John Miskel, vice president.

Compliance is further enabled through Aon Hewitt's powerful technology. Its absence management solution revolves around one centralized claim management and reporting system, which offers a robust reporting tool and a customized communication module (for forms, letters, emails). The system is built for easy access through multiple points and channels (phone, web portal, mobile, interactive voice response). With technology and automation support, users receive accurate eligibility determination via system edits and precise tracking of leave balances and usage, plus automatic responses to leave requests and proactive return-to-work reminders. Proven customer service tools and sophisticated tracking by location of the progression from partial to full return to work are also available.

- **Cost savings:** Aon Hewitt's absence management model results in fewer discretionary lost-time events, as well as quicker and more successful returns to work, resulting in direct savings to employers.

- **Employee productivity:** Aon Hewitt’s clinical case management model results in higher employee productivity. Employees and employers are supported by a team of medical and benefit professionals who help resolve complicated health and benefit issues. Employees gain a better understanding of the benefits they have and what they cover, meaning they no longer lose time worrying about treatment and coverage, and receive first-rate assistance in regaining their health and returning to work safely.
- **Employee health and engagement:** Aon Hewitt’s full suite of advocacy services supports HR departments behind the scenes, professionally handling medical and benefits inquiries from employees and their spouses, dependents and extended family members. Employees are not only educated about their benefits and medical services, they are empowered to take control of their health and find the treatment they need, with assistance resolving any health care billing and insurance claims disputes.
- **Prevention:** In addition to helping them manage absence, Aon Hewitt’s consultants work with organizations to conduct targeted interventions. “We build a roadmap for the employer, designing and implementing any programs or policies that are either not in place or need reinforcement,” says Keaveney. “The goal is not only to manage absenteeism, but to prevent it, where possible.”
- **Better outcomes for employers and employees:** Organizations that adopt the 360° approach can expect to enjoy these benefits:
 - Reduction in lost work days by 10–25%
 - Substantial direct and indirect labor cost savings
 - Improved organizational health and productivity
 - Enhanced leave management experience for managers and employees

Summary

The Best Results Come from Solutions that Work Together

Aon Hewitt believes solutions that address the full spectrum of absence dynamics are the only way to create best-in-class improvements in all areas. To do this, Aon Hewitt interlinks analysis, design and administration into a uniquely comprehensive offering that targets an organization’s specific absence circumstances.

Aon Hewitt’s team works in sync to deliver expert solutions for sick leave, short-term disability, long-term disability, FMLA-related leave and workers’ compensation. It also recognizes the power of absence in informing a company’s broader human resources strategy, including health and productivity. Its focus is on solutions that build strong integration between initiatives that enhance the employee experience and the employer bottom line.

From analysis to administration, Aon Hewitt’s powerful technology helps to better manage, understand and reduce absence. Proprietary data tools measure and monitor absence within the broader context of human resources, including employee health, wellness and risk. Through richer information, Aon Hewitt is able to develop more precise solutions and better measure their results against success benchmarks.

Aon Hewitt’s 360° Absence Solutions platform centralizes the management of every absence type through easy access and powerful tools. Employees can use IVR, web and mobile apps to request leaves, initiate a claim, confirm status and get questions answered. Human resources managers and Aon Hewitt staff can

communicate and collaborate for better insights and information management. This web-based platform is customized and scalable, integrating seamlessly with an organization's other solutions to deliver better data, reporting, access and compliance.

Aon Hewitt has the data and analytics tools to show an employer what's happening with its workforce, along with the expertise and breadth of services to use that information to deliver optimal solutions with full administration. Each step in the process builds on the one before, resulting in more robust, tailored solutions.

Aon Hewitt's Comprehensive Approach

Risk Analysis

Quantify absence challenges by developing metrics and insights about costs, performance and causality, compliance, legal risk, administrative burden, employee engagement and health and wellness.

- HeLP diagnostic tool
- HIOD (Health Intelligence on Demand)
- Benchmarking
- Financial impact analysis
- Compliance risk assessment
- Gap & opportunity analysis
- Dashboard and outcomes measurement

Design and Planning

Based on the insights gained during analysis, Aon Hewitt designs, plans and helps set objectives that will strategically improve challenges—and build the business case for investment.

- Absence prevention—wellness and safety
- Benefits, insurance and company leaves plans
- Risk finance design and placement
- Return-to-work program review and design
- Change-based communications
- FMLA and ADA consulting
- Compliance risk mitigation recommendations

Delivery Solutions

Aon Hewitt applies its expertise and support capabilities to implement a program and deliver total administration with ongoing measurement of results.

- Consultative implementation
- Absence administration
- Clinical case management
- Return-to-work management
- Advocacy services
- Compliance administration
- Data integration and reporting



Learn More

For more information on how companies can benefit from Aon Hewitt's 360° Absence Solutions, contact your Aon Hewitt consultant, visit www.360absence.com or email peoplesolutions@aonhewitt.com.

About Aon Hewitt

Aon Hewitt is the global leader in human resource solutions. The company partners with organizations to solve their most complex benefits, talent and related financial challenges, and improve business performance. Aon Hewitt designs, implements, communicates and administers a wide range of human capital, retirement, investment management, health care, compensation and talent management strategies. With more than 29,000 professionals in 90 countries, Aon Hewitt makes the world a better place to work for clients and their employees. For more information on Aon Hewitt, please visit www.aonhewitt.com.

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